

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 088872

O P 021310Z MAR 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC IMMEDIATE 3969

INFO AMEMBASSY PARIS PRIORITY

AMEMBASSY RABAT IMMEDIATE

AMCONSUL CASABLANCA IMMEDIATE

S E C R E T SECTION 01 OF 02 ALGIERS 0551

EXDIS

FOR ATHERTON

E.O. 11652: GDS

TAGS: PFOR, AG, 7

SUBJECT: ROBINSON CONVERSATION WITH BOUMEDIENE

1. SUMMARY: PRESIDENT BOUMEDIENE TOLD UNDER SECRETARY ROBINSON THAT MORE POSITIVE ATTITUDE OF USG ON CIEC HAD EASED WAY FOR ALGERIA TO ENTER DIALOGUE. WITHOUT THIS POSITIVE ATTITUDE ON PART OF U.S., ALGERIA COULD DO NOTHING TO SOLVE REAL ECONOMIC PROBLEMS RELATED TO RAW MATERIALS, INFLATION, AND TRANSFER OF TECHNOLOGY. ON SUBJECT OF GAS, PRESIDENT NOTED THAT IT IMPORTANT FOR U.S. TO DECIDE HOW MUCH GAS IT WISHED TO BUY FROM ALGERIA, BUT PRESIDENT DODGED ISSUE OF ASSURANCES OF STABLE GAS SUPPLY BY NOTING THAT EQUAL RISKS EXISTED FOR BOTH SELLER AND PURCHASER OF GAS. END SUMMARY.

2. FOLLOWING IS ACCOUNT OF SECOND HALF ROBINSON-ATHERTON CONVERSATION WITH BOUMEDIENE MARCH 1 (AFTER ATHERTON'S DEPARTURE FOR AIRPORT).

3. BOUMEDIENE: (REFLECTING ON CONVERSATION WITH ATHERTON) IT IS IN KING HASSAN'S INTEREST TO SEE OUR RELATIONS DETERIORATE. HOW IS NORTH SOUTH DIALOGUE
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GOING?

4. ROBINSON: THINK IT GOING WELL. WE STILL IN EARLY STAGES

5. BOUMEDIENE: IN RETROSPECT, WAS LAST MEETING FRUITFUL?

6. ROBINSON: BELIEVE IT OFFERS GREAT OPPORTUNITY TO BUILD NEW RELATIONSHIPS REFLECTING NEW REALITIES. WE HAVE LONG WAY TO GO, BUT SINCE MY FIRST VISIT HERE WE HAVE COME A LONG WAY. LAST TIME WE MET FIRST PREPARATORY CONFERENCE HAD FAILED. IT WAS WITH YOUR COOPERATION THAT WE WERE ABLE TO RESTORE SITUATION AND REBUILD DIALOGUE FOR OCTOBER AND DECEMBER MEETINGS.

7. BOUMEDIENE: IT WAS ALSO DUE TO UNDERSTANDING OF U.S. ITS POSITION BECAME MORE CONSTRUCTIVE. OF COURSE, FRENCH TRIED TO TAKE CREDIT FOR CONFERENCE.

8. ROBINSON: PERHAPS, BUT THINK COOPERATION BETWEEN USG AND GOA WAS BASIC FACTOR IN SUCCESS OF DECEMBER MEETING. THINK YOU ARE RIGHT IN SAYING THERE HAS BEEN BASIC CHANGE IN U.S. POSITION. I WORKED VERY HARD TO THAT END. NOW WE HAVE MEETINGS OF FOUR COMMISSIONS. MEETING EVERY MONTH BUT MAY, WHEN UNCTAD WILL MEET AT NAIROBI. WE HAVE A YEAR OF DIALOGUE BEFORE US. WE MUST SEIZE THIS YEAR TO BUILD NEW RELATIONS BETWEEN DCS AND LDCS. DCS HAVE RESPONSIBILITY TO COME FORWARD WITH REALISTIC PLAN TO BUILD THIS NEW RELATIONSHIP. ON OTHER HAND, LDCS HAVE RESPONSIBILITY TO VIEW PROBLEMS REALISTICALLY AND TO REALIZE THAT WE CANNOT SOLVE EVERYTHING OVERNIGHT. WE HAVE SOME SPECIFIC PROPOSALS WE HOPE TO MAKE IN COMING MONTHS WHICH WILL PERMIT PROGRESS IN UNCTAD AND COMMISSIONS AND PERMIT DEVELOPMENT OF SITUATION IN POSITIVE TERMS.

9. JUST AS PROGRESS IN PAST YEAR DUE IN LARGE MEASURE TO US-GOA COOPERATION, THINK IT ESSENTIAL WE MAINTAIN THAT RELATIONSHIP IN COMING PHASES. WE WILL NOT ALWAYS BE IN AGREEMENT. THE IMPORTANT THING IS TO HAVE SECRET

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RELATIONSHIP ON BASIS OF WHICH WE CAN DISCUSS OUR DIFFERENCES AND FIND SOLUTIONS. WE REALIZE WE CANNOT SEPARATE POLITICAL AND ECONOMIC TOTALLY. IN THIS REGARD, IT IS VERY USEFUL TO DISCUSS PROBLEMS SUCH AS MIDDLE EAST AND SAHARA. IT IS IMPORTANT, AS I HAVE EXPLAINED TO YOUR OFFICIALS, THAT WHEN THERE ARE DIFFERENCES

THAT WE KNOW ABOUT THEM EARLY ENOUGH SO THAT WE CAN

SIT DOWN AND DISCUSS THEM BEFORE THEY BECOME UNMANAGEABLE. IN SUMMARY, WE HAVE MADE PROGRESS. WE HOPE WE CAN CONTINUE IN THIS MUTUAL EFFORT TO SOLVE OUR MANY PROBLEMS.

10. BOUMEDIENE: AGREE PROBLEMS DIFFICULT TO RESOLVE. WE MEED TIME AND PATIENCE FROM ALL SIDES. OUR DIALOGUE IS ALWAYS FRANK. PERHAPS FRANKNESS IS SOMETHING GOOD. MAYBE OTHERS FEED YOU COMPLIMENTS, FOR ONE REASON OR ANOTHER. OUR RELATIONS ARE OBJECTIVE. YOU PROFIT FROM COOPERATION WITH US. WE PROFIT IN TURN FROM YOU. OUR ATTITUDE IS ALWAYS PRAGMATIC. NEVER DOGMATIC. WHEN ATTITUDE OF USG BECAME MORE POSITIVE (ON CIEC) WE SAID YES, AND THAT EASED THE WAY FOR DIALOGUE BETWEEN US. WE KNOW THAT WITHOUT POSITIVE ATTITUDE ON YOUR PART WE COULD NOT DO ANYTHING. I DON'T WANT TO EXAGGERATE. PROBLEMS WE HAVE ARE REAL ECONOMIC PROBLEMS. WE ALWAYS PUT THESE PROBLEMS OBJECTIVELY. THEY ARE WELL KNOWN TO YOUR PEOPLE-- RAW MATERIALS, TRANSFER OF TECHNOLOGY, COOPERATION, INFLATION. OF COURSE, THOSE WHO HAVE MONEY, LIKE SAUDIS, DON'T HAVE OUR PROBLEMS. ON OTHER HAND, WE DON'T HAVE THEIRS. THEY ARE WORRIED ABOUT HOLDING ON TO THEIR MONEY. WE DON'T HAVE THAT PROBLEM.

11. DIVISION OF RESPONSIBILITIES AMONG FOUR COMMISSIONS LOOKS SOUND. THERE IS BALANCE BETWEEN THEM. GOA POLICY REGARDING PRICE OF OIL WELL KNOWN. WE DISAGREED WITH IRAN, IRAQ AND LIBYA LAST YEAR AT OPEC. WE MET WITH YAMANI BEFORE THE MEETING AND WORKED OUT REASONABLE SOLUTION BETWEEN US. WHILE SHAH AND IRAQIS WERE ASKING SOMETHING LIKE 25 PERCENT INCREASE, WE FELT THAT NOT IN KEEPING WITH FACTS OF MARKET SITUATION.

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IN THE END POSITION OF SAUDI ARABIA AND ALGERIA APPEARED TO BE THE BEST.

12. YOU AS POWERFUL COUNTRY OF COURSE SEE PROBLEMS FROM ONE OPTIC. WE SEE FROM ANOTHER. IF WE DISAGREE WE CAN SIT TOGETHER AND DISCUSS. HOW ARE OUR BILATERAL RELATIONS GOING? MINISTER OF INDUSTRY AND ENERGY SAYS YOU ASKED QUESTIONS ABOUT ENERGY AND PARTICULARLY ABOUT GAS. WHAT CAN YOU TELL ME ABOUT PRESIDENT FORD'S ENERGY MESSAGE?

13. ROBINSON: WITH REGARD TO BROADER ASPECTS OF OUR RELATIONS, WE ARE VERY IMPRESSED WITH WAY ALGERIANS MOVING AHEAD ON INDUSTRIALIZATION. HAD PLEASURE OF VISITING THIS MORNING THE FOUR TRAINING INSTITUTES AT

BOUMERDES. WAS VERY FAVORABLY IMPRESSED WITH WAY YOU ARE TRAINING YOUR PEOPLE. THIS IS FUNDAMENTAL TO INDUSTRIALIZATION AND ECONOMIC GROWTH. THE REAL TRANSFER OF TECHNOLOGY COMES THROUGH MINDS OF YOUR PEOPLE. TRANSFER OF TECHNOLOGY IS ONE OF THE GREAT MYTHS. IT HAS NO VALUE IF THERE IS NO CAPACITY TO USE IT.

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ACTION SS-25

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O 021310Z MAR 76
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TO SECSTATE WASHDC IMMEDIATE 3970
INFO AMEMBASSY PARIS PRIORITY
AMEMBASSY RABAT IMMEDIATE
AMCONSUL CASABLANCA IMMEDIATE

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EXDIS

FOR ATHERTON

14. BOUMEDIENE: HAVE ALWAYS SAID TRANSFER OF TECHNOLOGY IS NOT REAL PROBLEM. REAL PROBLEM IS DEVELOPMENT AND TRAINING OF CADRE.

15. ROBINSON: WAS VERY PLEASED WITH WHAT I SAW AT BOUMERDES AND TRUCK PLANT AT ROUIBA. PHYSICAL FACILITIES ARE VERY IMPORTANT, BUT WHAT IMPRESSED ME MOST WAS TRAINING FACILITIES. HAVE VISITED MANY LDCS, BUT HAVE SEEN NONE WHICH HAVE MADE EFFORT YOU HAVE IN TRAINING PEOPLE TO USE TECHNOLOGY. HOPE NEXT TIME I WILL BE ABLE TO SEE MORE OF DEVELOPMENTS IN FIELD OF AGRICULTURE, INDUSTRY AND TRANSPORT.

16. BOUMEDIENE: YOU ARE WELCOME ANY TIME. WOULD LIKE YOU TO HAVE MORE TIME ON YOUR NEXT VISIT. YOU MUST GET TO KNOW OUR COUNTRY BETTER. AMERICANS IN GENERAL DO NOT KNOW IT

WELL. FRENCH KEPT US ISOLATED. BUT NOW OURS IN AN OPEN COUNTRY.

17. ROBINSON: REGARDING ENERGY QUESTION, WE HAVE FOR SOME TIME BEEN ENGAGED IN STUDY OF HOW MUCH GAS WE SHOULD IMPORT AND FROM WHERE. FINAL DECISION WILL BE MADE BY FPC. BUT IT WILL BE INFLUENCED BY EXECUTIVE POLICY AS DEVELOPED BY ERC. I AM STATE REP. ON ERC. UNTIL RECENT ENERGY MESSAGE

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THERE NO APPROVAL FOR LNG IMPORTS BEYOND 0.3 TRILLION CF/YR. TO DATE WE HAVE APPROVED ABOUT 1 BILLION CFD. PRESIDENT, IN HIS ENERGY MESSAGE, ANNOUNCED WE PREPARED IMPORT UP TO ABOUT 3 BILLION CFD. THIS IS NOT A LIMIT. IT IS A TARGET. WE CAN TAKE INTO CONSIDERATION MORE CONTRACTS THAN WE COULD BEFORE.

18. BOUMEDIENE: YOU ALSO POSED EMBARGO QUESTION TO ABDESELAM. DO NOT SEE HOW YOU ARRIVE AT THAT QUESTION.

19. ROBINSON: DECISION AS TO SOURCE OF NEW IMPORTS WILL BE BASED ON TWO FACTORS: (A) ECONOMICS AND (B) SECURITY OF SUPPLY. WE HAVE GAS PIPELINES SERVING HOMES AND INDUSTRY FOR WHICH WE WILL NEED MORE GAS. IF THE SUPPLY IS INTERRUPTED FOR WHATEVER REASON, IT WILL CAUSE SERIOUS PROBLEMS. IF WE WERE RELYING ON OIL WE WOULD HAVE ALTERNATE SOURCES, BUT WITH GAS WE ARE UTTERLY DEPENDENT ON OUR SOURCE.

20. BOUMEDIENE: IT IS UNDERSTANDABLE THAT YOU SHOULD POSE PROBLEM. SAME PROBLEM IS ALSO POSED FOR US, HOWEVER. TOMORROW YOU WILL BE UNHAPPY ABOUT SOME POLICY OF OURS, AND YOU WILL HAVE A NEW GOVERNMENT WHICH DOES NOT KNOW US AND IT WILL TAKE A DECISION TO STOP BUYING OUR GAS. THIS WOULD BE A VERY SERIOUS PROBLEM FOR US. THIS HAPPENED TO US WITH FRANCE, WHEN THEY STOPPED BUYING OUR WINE. EARLIER WE WERE TALKING ABOUT OUR RELATIONS. MR. ATHERTON POSED QUESTION OF OUR RELATIONS. I TRIED TO SAY THEY DEPENDED ON OUR MUTUAL INTERESTS. IF WE HAVE TO MAKE JUDGEMENTS ABOUT THEM IT WILL BE THROUGH SUCH TRANSACTIONS. FOR US TO EXPORT 30 BILLION CUBIC METERS A YEAR OF GAS TO THE UNITED STATES IS AN ADVENTURE. THE COST OF ONE LNG PLANT IS \$2 BILLION. THE EL PASO PROJECT IS A BIG GAS LINE. EACH OF US HAS ONE END OF IT. THE RISKS ARE SHARED, BUT WE HAVE A HIGHER RISK THAN YOU. THERE ARE MANY PEOPLE HERE WHO SAY OUR RISK IS TOO GREAT. WE HAVE CHOSEN TO TAKE IT. THERE IS NO POLICY WITHOUT RISK. I THINK THERE IS NO PROBLEM BETWEEN US. THERE WILL NOT BE A WAR BETWEEN US.

21. WE AGREE OR DISAGREE ON THIS PROBLEM OR THAT, BUT THAT DOES NOT CHANGE THE ESSENTIAL ELEMENTS OF OUR RELATIONS.

IT IS IMPORTANT FOR US TO KNOW HOW FAR WE CAN GO WITH YOU

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IN REGARD TO GAS. IT IS UP TO YOU TO SAY HOW MUCH YOU CAN TAKE. IT IS 10, 20 OR 30 BILLION CU. MTRS. PER YEAR? WE WILL HAVE TO WORK TO THAT FIGURE. IT IS UP TO YOU TO DECIDE. MAYBE AFTER 10 YEARS GAS MARKETING WILL HAVE BECOME MORE FLEXIBLE, WITH THE PROLIFERATION OF LNG PLANTS AND TANKERS. IN ANY EVENT, I DO NOT THINK IT WOULD BE POSSIBLE TO FIND AN ALGERIAN GOVERNMENT CRAZY ENOUGH TO GIVE SUCH A BLOW TO ITS ECONOMY AS CUTTING OFF GAS EXPORTS. OUR STRATEGY IS VERY CLEAR. WE WANT TO EXPLOIT OUR OIL AND GAS FOR THE NEXT 20 YEARS TO MAKE A REAL ECONOMY FOR OUR COUNTRY. WE WORK TO THAT GOAL JUST AS YOU WORK TO FIND NEW SOURCES OF ENERGY. I THINK THE EXPORT OF ALGERIAN GAS TO THE US MARKET WILL GIVE A REAL IMPETUS TO OUR RELATIONS. THE CURRENT VOLUME OF TRADE IS ON THE ORDER OF \$1 BILLION, I BELIEVE.

22. PARKER: NO, LAST YEAR WE BOUGHT SOME \$1.4 BILLION WORTH OF PETROLEUM PRODUCTS FROM YOU AND EXPORTED SOMETHING LIKE \$600 MILLION WORTH OF GOODS TO YOU.

23. ROBINSON: THERE ARE RISKS ON BOTH SIDES, BUT WHEN US COMPANY MAKES COMMITMENT TO BUY, IT WILL ABIDE BY COMMITMENT. THERE IS NO REASON TO BE CONCERNED ABOUT ANY ARBITRARY DECISION TO BREAK CONTRACT. THIS IS SOMETHING ENTIRELY DIFFERENT FROM YOUR RELATIONSHIP WITH FRENCH WINE IMPORTS. IF FRENCH WANTED TO CUT THEM OFF, THEY COULD. WE HAVE LEGAL COMMITMENTS WHICH MUST BE OBSERVED IN ORDER TO MAINTAIN OUR GOOD NAME. SECONDLY, IF WE HAVE PIPELINE SYSTEM USING IMPORTED LNG IT WOULD BE CONTRARY TO OUR OWN INTERESTS TO CUT OFF SUPPLY. WE HAVE NO ALTERNATIVE SOURCES. TYPE OF CONTRACT WE HAVE IN MIND TIES THE TWO PARTIES IN WAY DIFFERENT FROM NORMAL CONTRACTS FOR OTHER MATERIALS. THIS STILL LEAVES UNANSWERED QUESTION OF A POLITICALLY-INSPIRED EMBARGO. THERE ARE THOSE IN ERC WHO SAY WE HAVE NO ASSURANCE GAS WOULD NOT BE CUT IN CASE OF EMBARGO. WE MUST THEREFORE CONSIDER ALGERIA'S ONE SOURCE AND MUST ALSO TAKE INTO ACCOUNT NIGERIA, SOVIET UNION AND INDONESIA. AM HOPEFUL WE CAN FIND SOLUTION, BUT FEEL THAT IN INTEREST FRIENDSHIP AND FRANKNESS MUST POINT OUT THAT THERE ARE PEOPLE IN USG WHO RAISING SUCH QUESTIONS.

24. BOUMEDIENE: WE TRUST YOU TO BE OUR ADVOCATE. I AM NOT

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SAYING THIS MALICIOUSLY OR WITH MENTAL RESERVATIONS. IT IS A GREAT RESPONSIBILITY FOR US TO DEPEND ON TWO MARKETS--THE US AND EUROPE. THIS IS A QUESTION OF HIGHEST INTEREST TO US. WHEN I SAID THERE WOULD NOT BE A GOVERNMENT THAT CRAZY, I MEANT IT. WE ALSO WANT TO EXCHANGE OUR GAS FOR EQUIPMENT. OUR COUNTRY IS DEVELOPING. WE DONT WANT DOLLARS IN SWISS BANKS. WE WANT DOLLARS TO EQUIP THE COUNTRY. FOR US TO BE WEALTHY MEANS TO BE DEVELOPED. THESE ARE REAL ARGUMENTS. NO ONE CAN TELL ABOUT THE FUTURE, BUT WE HOPE OCTOBER WAR WILL BE LAST BETWEEN ARABS AND ISRAEL.

25. ROBINSON: I SAY ALL THIS BECAUSE I MUST. THE RISK IS IN FACT MUTUAL, BUT MY TASK IS CONVINCING OTHER MEMBERS OF ERC TO TAKE NEW QUANTITIES OF ALGERIAN GAS.

26. COMMENT: BOUMEDIENE'S ANSWER ON ASSURANCES REGARDING SECURITY OF SUPPLY PARALLELS THAT GIVEN BY ABDESELAM TWO DAYS BEFORE. ALTHOUGH IT IS CAREFULLY HEDGED AND INDIRECT, BELIEVE IT IS AT LEAST HONEST, I.E., ALGERIANS NOT PREPARED GIVE US EXPLICIT COMMITMENT, AT LEAST NOT AT THIS TIME. ON OTHER HAND, BELIEVE THEIR ARGUMENT ABOUT MUTUALITY OF INTERESTS SHOULD BE TAKEN SERIOUSLY. THEY TOO WILL HAVE AN INTEREST IN SEEING TO IT THAT FLOW OF GAS THROUGH THEIR FACILITIES IS NOT INTERRUPTED.PARKER

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